



# OFFICE OF THE CLERK/TREASURER

## City of Burlington

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**TO:** Board of Finance and City Council

**FROM:** Bob Rusten, Chief Administrative Officer

**DATE:** November 6, 2013

**RE:** Proposal that identifies approximately \$500,000 in General Fund reduced expenditures and increased revenues to achieve FY 2014 General Fund budget goal

Within the Fiscal Year 2014 General Fund "Non-Departmental" Budget account number 101-00-000-8012 entitled "Revenue Enhancement/Expense Reductions" was created to show \$500,000 of net General Fund savings. It was my charge to work with department heads to identify ways to increase General Fund revenues or decrease expenditures that totaled \$500,000 and report back by the end of September.

This process has taken longer than expected, for which I apologize.

Starting in July I met with individual or groups of department heads and through this process we identified many ideas. Most of these were either not practical, need more time to research or clearly could not be implemented within the FY 2014 time frame.

I am bringing forth 9 ideas most of which can be done administratively. A few will need City Council approval. If all of these ideas are implemented we believe they will amount to at least \$492,000. Even if all of these ideas are implemented we will continue to look for ways to increase revenues and decrease costs for FY 2014 and beyond.

Ideas: Change

### 1. General Fund Debt Service:

We believe we will underspend the budgeted line by \$57,500. We come to this conclusion as we believe the line was slightly over-budgeted and that the actual interest rate for the CIP bond is less than what had been anticipated. \$57,500

### 2. City Council Reimbursement:

This budget line allows for each City Councilor to receive \$5,000 as a reimbursement for allowable Councilor expenses. The total budget for this line is \$70,000. In FY 11 \$18,828 was spent. In FY 12, through 3/31/12 \$10,501 was spent. In FY 13 \$29,874 was spent. So far in FY 14 \$8,674 has been spent. We propose that Council agree to limit the reimbursement total to \$42,000, or \$3,000 per City Councilor which will reduce the budgeted expenditure by \$28,000. If Council approves this memo we will encumber this amount. \$28,000

**3. Police Department Lease Vehicle:**

The Police Department budget account #01-050-7200\_115 line is used to pay the financing of police cruisers. For FY 2014 there is \$226,050 budgeted. Each year one three-year finance charge ends and a new three-year financing begins. Instead of creating a new financing, we will use police impact fees in FY 14 and pay cash for the four new cruisers. Eliminating this new three-year financing will save the City, over three years, over \$10,000 in finance charges. Our goal is to use impact fees each year to pay cash for new cruisers until we will no longer be financing any vehicles. There is \$30,000 in the FY 14 budget and pay for the new financing and as we are paying cash instead we will not need to spend this money.

\$30,000

**4. City Health Insurance Contribution:**

In budget line 01-00-000-5400\_125 there is \$4,471,338 for the cost of the City's contribution to employee health insurance. In October the employee contribution for health insurance increased for non-union and the AFSME members. These increases were warranted, and the additional revenue had not been budgeted. We estimate this additional General Fund FY 14 revenue to be about \$35,000. As there is an additional revenue we can then reduce the City contribution by a corresponding amount. On November 18<sup>th</sup> the City Council is holding a work session to review our current health insurance system and ideas to possibly reduce expenditures. We anticipate that the City Council will support some changes to the system in FY 14 that at a minimum could save \$40,000. Therefore we believe that we could reduce the City's contribution from this budget line by a total of \$75,000.

\$75,000

**5. Short-Term Investment of General Fund Revenue:**

With the City Council approval of our Investment Policy, and its guidelines, we can now invest General Fund money. We have investigated some win-win situations where we can lend money to City Enterprise Funds at a rate higher than we are getting in our sweep account, but lower than these Funds would pay if they borrowed from a financial institution. The Investment Policy allows us to invest up to \$5,000,000 in any fiscal year. Our plan is to lend approximately \$2,500,000 in FY 2014, using promissory notes, with interest payments to the General Fund totaling \$50,000.

\$50,000

**6. Miscellaneous Ideas:**

We have a variety of ideas, either implemented or to be further analyzed and then implemented. These included central purchasing, cash-back credit cards, reviewing vendor contracts, reviewing cell and/land line phone costs, air cards, current or new cash payments to the City, not paying National League of Cities and Towns dues and others that conservatively we believe will reduce costs or increase revenues to a total of \$106,500

\$106,500

**7. Interest Expense – Line of Credit:**

In budget account 01-00-000-7002 we have allocated \$125,000 to pay interest for General Fund borrowing on our line of credit. We anticipate that we will be utilizing our line of credit such that the interest charge will not be that high. In FY 13 we paid \$111,377 from this budget line and we anticipate that we will spend no more than \$105,000 in FY 2014. This will save \$20,000 in expenditures.

\$20,000

**8. Information Technology:**

We believe there is within the General Fund there is over \$85,000 in budgeted expenditures for large computer system expenses that instead could be paid from the use of impact fees and the CAO earmark in the CIP budget. This would allow us to spend the same amount of money but reduce General Fund expenditures. \$85,000

**9. Modifications to City Parking Fees:**

City administrative staff have been assisting in the review of the City parking plans and have been helping to support the efforts to generate more revenue to assist with the deferred capital needs of City garages. In addition, we will be working with Traffic to help create a deferred maintenance and ongoing maintenance schedule and ways to finance such a schedule. Due to this additional work we would propose that out of the FY 2014 additional parking revenues generated by changes to the parking system the General Fund receive \$25,000.

We also propose that a FY 2014 \$30,000 payment from the Traffic Division to CEDO not be paid, as we can find no payment justification for this payment.

Lastly, in FY 14 CEDO should receive at a minimum \$30,000 from the new parking revenues.

Result to the General Fund would be increased revenues of \$25,000 \$25,000

**Conclusion:**

The total of all of these changes would result in a FY 2014 General Fund reductions in expenditures and increases in revenues that total \$477,000. **\$477,000**

It is also important to note that these proposals are just for FY 2014 and that some of these changes may not be included as part of the FY 2015 General Fund budget proposal.

If this memo is accepted by the City Council only one of these proposals would need further City Council action. That would be any modifications to the City health insurance plan.